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A Study on Financial Performance Analysis of Muthoot Finance Ltd

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ABSTRACT: Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It is the process of calculating the financial outcomes of a company's activities and policies. In addition to comparing similar firms within the same industry or industries or sectors in aggregate, it is used to measure a company's overall financial health over a given period of time. The research topic is "A study on Financial Performance Analysis of Muthoot Finance Ltd". The data used are of last five years from 2020-21 to 2024-25. This study covers analysis like ratio analysis, comparative financial statements, common size financial statements and trend analysis and also includes the sales prediction. Secondary data is used in this study. After analyzing the financial statements of Muthoot Finance Ltd during the five financial years, it is clear that the financial position of the company is in foliations. We can say that there should be an efficient financial management system in the organization. It should overcome the adverse condition and minimize its losses and protect firm from facing the negative condition of liquidity. In tomorrow's economy the world will belong to those who are open to creative, imaginative and flexible to changes, having open mindless, strength of taking risk and an innovative spirit. These entire characteristics can lead the company on a successful path.

KEYWORDS: Financial Performance, Ratio Analysis, Profitability Ratios, Liquidity Ratios, Solvency Ratios.

I. INTRODUCTION

"Finance" is typically broken down into three broad categories: Public finance includes tax systems, government expenditures, budget procedures, stabilization policy and instruments, debt issues, and other government concerns. Corporate finance involves managing assets, liabilities, revenues, and debts for a business. Personal finance defines all financial decisions and activities of an individual or household, including budgeting, insurance, mortgage planning, savings, and retirement planning. Financial performance is a broad term that describes a company's overall fiscal health. When you hear that a business has strong financial performance, that often means it has growing revenues, manageable debt, and a healthy amount of free cash flow. Financial performance is a general term that describes the overall financial health of an organization. Financial performance metrics are quantifiable, meaning you can measure. But just as your doctor can't tell you how healthy you are just by taking your temperature or blood pressure, there's no single way you can measure financial performance. For example, a firm may be rapidly increasing its revenues, but that doesn't mean its financial performance is strong. To assess its financial performance, you'd also need to look at its expenses, its liabilities, and how much free cash it has available. Financial performance matters to investors, who make decisions about whether to buy or sell a company's stocks and bonds based on this information. But investors aren't the only ones who care about financial performance. Managers use this information to determine how to allocate company resources.¹ Analysts use financial performance data to make forecasts about future earnings and growth. Lenders use this information to assess whether a company is creditworthy. To find the information you need to assess a company's financial performance by examining its financial statements.

The process of reviewing and analyzing a company's financial statements to make better economic decisions is called analysis of financial statements. In other words, the process of determining financial strengths and weaknesses of the entity by establishing the strategic relationship between the items of the balance sheet, profit and loss account, and other financial statements. The term 'analysis' means the simplification of financial data by methodical classification of the data given in



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the financial statements, 'interpretation' means, 'explaining the meaning and significance of the data so simplified.' However, both 'analysis and interpretation' are interlinked and complementary to each other.

OBJECTIVES OF THE STUDY

- To ascertain the short term solvency of the business concern.
- To analyze the financial performance of the company by using various financial ratios.
- To measure the effective utilization of the company.
- To examine the long term solvency position of the business concern.
- To analyse and ascertain the operating efficiency of the business concern.
- To analyse the present financial positions as well as the future.

II. REVIEW OF LITERATURE

Jibin Mathew (2023) South Indian Bank is one of the major private sector banks in India. It was incepted in 1929 and became a scheduled bank in 1946 has recorded rapid growth with 852 branches, 4 service branches, 56 extension counters and 20 regional offices. This study is an attempt to analyze the financial performance of "SOUTH INDIAN BANK LTD". It examines the performance of MFIs in relation to outreach and financial sustainability. It reviews literatures on core performance indicators of MFIs. The literatures noted that MFIs could be examined through three main polar; outreach to the poor, financial sustainability and welfare impact. The welfare impact assessment is not covered in this paper due to time and money limitations.

Khan et al (2022) states that the financial system's vulnerability to the Global Financial Crisis drew attention to the study of risk and spill over. This article examines the systemic risk pattern and size impact in the Indian banking industry. Three public sector banks and three private sector banks were chosen based on market capitalization. The data ranges from 2007 to 2020. The quantile-CoVaR (Conditional Value at Risk) and TENET (Tail-Event-Driven Network) measures are used in the study. State factors such as Indian market volatility and global risk measures have a detrimental effect on the profitability of Indian banks. Liquidity risk is a critical factor in the operation of private banks. Even during times of difficulty, public banks have popular faith. Large banks such as HDFC and SBI bank contribute the most to systemic risk. Since 2015, the role of private banks in transferring systemic risk has increased. Smaller banks, such as PNB and BOB, have developed into substantial risk receivers and transmitters.

Dang Van Sang (2021) Small and medium enterprises (SMEs) have shown the importance of the development strategy of the socialist-oriented market economy in Vietnam. The main objective of this study was to identify, evaluate, and to measure the attributes of financial performance of Small and Medium Enterprises (SMEs) in Vietnam. The study was based on a field survey using a semi-structured questionnaire on a sample of 150 accountants. But, only 120 filled questionnaires were satisfactory and therefore included in the analysis. By using several statistical analytical tools, i.e. descriptive statistics, Cronbach's Alpha analysis, Independent T-test and ANOVA, the study has identified and measured four (4) attributes of financial performance of SMEs that have great effects on SMEs. There is, statistically, significant difference in the level of financial performance of SMEs in Vietnam from these different work experiences. There is not, statistically, significant difference in the level of financial performance of SMEs in Vietnam from these different business areas and between the mentioned three groups of job description. Based on the findings, some recommendations are given for SMEs to improve the financial performance.

III. RESEARCH METHODOLOGY

This study adopts an analytical research design. The sampling design adopted for the study is convenience sampling. The study is based entirely on secondary data. The sample consists of financial data for (2020-2021 to 2024-2025).



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Data analysis and interpretation

Table No. 1 Current Ratio

CURRENT RATIO			
Year	Current Assets	Current Liabilities	Ratio
2020-2021	52.75	24.42	2.16
2021-2022	64.76	31.59	2.05
2022-2023	69.64	28.81	2.42
2023-2024	81.98	26.33	3.11
2024-2025	95.3	28.08	3.39

Source: Annual report

Interpretation

From the above table conveys that Current ratio was 2.16 in the year of 2020-2021. It has decreased to 2.05 in the year of 2021-2022. It has increased to 2.42 and 3.11 in the year of 2022-2023 and 2023-2024 respectively. It has increased to 3.39 in the year of 2024-2025.

Table No. 2 Cash Ratio

CASH RATIO			
Year	Cash	Current Liabilities	Ratio
2020-2021	4.38	24.42	0.18
2021-2022	8.31	31.59	0.26
2022-2023	5.92	28.81	0.21
2023-2024	16.79	26.33	0.64
2024-2025	17.32	28.08	0.62

Source: Annual report

Interpretation

From the above table conveys that Cash ratio was 0.18 in the year of 2020-2021. It has increased to 0.26 in the year of 2021-2022. It has decreased to 0.21 in the year of 2022-2023. It has increased to 0.64 in the year of 2023-2024. It has decrease to 0.62 in the year of and 2024-2025.

Table No. 3 Gross profit ratio

GROSS PROFIT RATIO			
Year	Gross profit	Net sales	Ratio
2020-2021	-150.32	7	-2147.4
2021-2022	-175.48	1.06	-16555
2022-2023	-199.19	15.81	-1259.9
2023-2024	-188.08	13.11	-1434.6
2024-2025	-156.22	22.47	-695.24

Source: Annual report

Interpretation

From the above table conveys that Gross profit ratio was -2147.43 in the year of 2020-2021. It has increased to -16555 in the year of 2021-2022. It has decreased to -1259.90 and -1434.63 in the year of 2022-2023 and 2023-2024 respectively. It has further decreased to -695.24 in the year of 2024-2025.



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Table No. 4 Net profit ratio

NET PROFIT RATIO			
Year	Net profit	Net sales	Ratio
2020-2021	1.03	7	14.71
2021-2022	6.81	1.06	642.45
2022-2023	25.19	15.81	159.33
2023-2024	22.65	13.11	172.77
2024-2025	2.51	22.47	11.17

Source: Annual report

Interpretation

From the above table conveys that Net profit ratio was 14.71 in the year of 2020-2021. It has increased to 642.45 in the year of 2021-2022 respectively. It has decreased to 159.33 and in the year of 2022-2023. It has increased to 172.77 in the year of 2023-2024. It has decreased to 11.17 in the year of 2024-2025.

Table No. 5 Return on assets ratio

RETURN ON ASSETS RATIO			
Year	Net profit after tax	Total assets	Ratio
2020-2021	1.03	117.24	0.88
2021-2022	6.81	107.08	6.36
2022-2023	25.19	109.76	22.95
2023-2024	22.65	123.18	18.39
2024-2025	2.51	129.56	1.94

Source: Annual report

Interpretation

From the above table conveys that Return on assets ratio was 0.88 in the year of 2020-2021. It has increased to 6.36 and 22.95 in the year of 2021-2022 and 2022-2023 respectively. It has decreased to 18.39 in the year of 2023-2024. It has further decreased to 1.94 in the year of 2024-2025.

Table No. 6 Debt ratio

DEBT RATIO			
Year	Total debt	Total debt + Net worth	Ratio
2020-2021	52.75	117.23	0.45
2021-2022	64.76	107.08	0.6
2022-2023	69.64	109.75	0.63
2023-2024	81.98	124.58	0.66
2024-2025	95.3	132.23	0.72

Source: Annual report

Interpretation

From the above table conveys that Debt ratio was 0.45 in the year of 2020-2021. It has increased to 0.60 and 0.63 in the year of 2021-2022 and 2022-2023 respectively. It has increased to 0.66 in the year of 2023-2024. It has further increased to 0.72 in the year of 2024-2025.



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Table No. 7 Operating profit ratio

OPERATING PROFIT RATIO			
Year	Operating profit	Net sales	Ratio
2020-2021	24.57	7	351
2021-2022	29.67	1.06	2799.06
2022-2023	37.37	15.81	236.37
2023-2024	34.66	13.11	264.38
2024-2025	-4.04	22.47	-17.98

Source: Annual report

Interpretation

From the above table conveys that Operating profit ratio was 351.00 in the year of 2020-2021. It has increased to 2799.06 in the year of 2021-2022. It has decreased to 236.37 in the year of 2022-2023. It has increased to 264.38 in the year of 2023-2024. It has decreased to -17.98 in the year of 2024-2025.

Table No. 8 Return on investment

RETURN ON INVESTMENT			
Year	Operating profit	Capital employed	Ratio
2020-2021	24.57	92.82	0.26
2021-2022	29.67	75.49	0.39
2022-2023	37.37	80.95	0.46
2023-2024	34.66	96.85	0.36
2024-2025	-4.04	101.48	-0.04

Source: Annual report

Interpretation

From the above table conveys that Return on investment ratio was 0.26 in the year of 2020-2021. It has increased to 0.39 and 0.46 in the year of 2021-2022 and 2022-2023 respectively. It has decreased to 0.36 in the year of 2023-2024. It has further decreased to -0.04 in the year of 2024-2025.

IV. SUGGESTIONS

- Current assets like cash and bank balances which are in excess can be converted into investments which can earn profits for the company.
- Inventory should be increased in future to larger extent which increases sales and contribute to huge profits for the company.
- Company can go for manageable debt and thus can take benefits relating to tax for the future years.
- If the company will took any precautionary methods to reduce all the expenses then the prodigality of the company will goes up.
- The company has to reduce its operating expenses which are within the control of the company. The company can make a good amount of profit by diversifying the existing production or by manufacturing new products.
- Weekly meeting or conference should be conducted by the company for discussion regarding the matters relating to the performance of the workers.
- Company has to develop zeal to increase its profit. The company should utilize the available resources in proper manner.
- As a company is facing a stiff competition from competitors it has to work hard to meets its targets. It needs to give more importance for research and development.
- It needs to update with latest technology to match with its competitors. And the company can invest fairly good amount in investments of fixed assets.
- The company assets in the form of loans and advances are to be verified and appropriate measures have to be taken for the collection of same time.



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V. CONCLUSION

After analyzing the financial statements of for Muthoot Finance Ltd during the five financial years, it is clear that the financial position of the company is in foliations. We can say that there should be an efficient financial management system in the organization. It should overcome the adverse condition and minimize its losses and protect firm from facing the negative condition of liquidity. In tomorrow's economy the world will belong to those who are open to creative, imaginative and flexible to changes, having open mindless, strength of taking risk and an innovative spirit. These entire characteristics can lead the company on a successful path.

However the management needs to focus more on the inventory and go for manageable debt. Based on this study the major findings are that from the overall finance point of view, company is not performing to a very high degree level of achievement. This study indicates that in order to improve the overall performance of company the management must take all possible steps to review and modify various policies, cash budgets, inventory status by using sound information management system. This will enable the management to have a close control over the various operations.

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